

**MADISON SQUARE BOYS
AND GIRLS CLUB, INC.
AND MSBGC-NYC SUPPORT CORPORATION**

**CONSOLIDATED FINANCIAL STATEMENTS
AND AUDITOR'S REPORT**

SEPTEMBER 30, 2017

**MADISON SQUARE BOYS AND GIRLS CLUB, INC.
AND MSBGC-NYC SUPPORT CORPORATION**

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Independent Auditor's Report

**Board of Directors
Madison Square Boys and Girls Club, Inc.
and MSBGC-NYC Support Corporation**

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Madison Square Boys and Girls Club, Inc., and MSBGC-NYC Support Corporation which comprise the consolidated balance sheet as of September 30, 2017, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Madison Square Boys and Girls Club, Inc. and MSBGC-NYC Support Corporation as of September 30, 2017, and the changes in its net assets, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Madison Square Boys and Girls Club, Inc.'s September 30, 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 4, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Emphasis of Matter

As discussed in Note 1 to the consolidated financial statements, MSBGC-NYC Support Corporation was formed and began operations in 2017. Our opinion is not modified with respect to this matter.

Other Matter - Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. Schedules 1 through 4 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Loeb & Troper LLP

March 29, 2018

**MADISON SQUARE BOYS AND GIRLS CLUB, INC.
AND MSBGC-NYC SUPPORT CORPORATION**

CONSOLIDATED BALANCE SHEET

SEPTEMBER 30, 2017

(With Summarized Financial Information for September 30, 2016)

	2017	2016
ASSETS		
Cash and cash equivalents	\$ 3,252,209	\$ 930,816
Investments (Notes 2 and 5)	41,449,399	43,033,110
Government grants receivable	961,201	980,081
Contributions receivable (net of allowance of \$50,000 in 2017 and 2016) (Note 4)	16,062,475	24,174,504
Accrued interest receivable	8,189	9,068
Loan receivable (Note 12)	25,548,800	
Prepaid expenses and other assets	240,684	321,540
Beneficial interests in trusts (Notes 2 and 9)	2,153,488	9,222,605
Limited use assets (Note 13)	26,597,716	
Fixed assets - net (Note 3)	25,253,534	15,539,523
Total assets	\$ 141,527,695	\$ 94,211,247
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	\$ 1,213,641	\$ 808,138
Accounts payable - construction	2,367,497	819,379
Retainage payable (Note 11)	466,436	
Lines of credit (Note 5)	1,244,360	1,344,360
Refundable advances	273,855	227,750
Long-term debt (Note 12)	35,968,898	
Total liabilities	41,534,687	3,199,627
Net assets		
Unrestricted	39,322,344	20,198,096
Temporarily restricted (Note 7)	33,486,562	44,444,676
Permanently restricted (Notes 7 and 9)	27,184,102	26,368,848
Total net assets	99,993,008	91,011,620
Total liabilities and net assets	\$ 141,527,695	\$ 94,211,247

See independent auditor's report.

The accompanying notes are an integral part of these statements.

**MADISON SQUARE BOYS AND GIRLS CLUB, INC.
AND MSBGC-NYC SUPPORT CORPORATION**

CONSOLIDATED STATEMENT OF ACTIVITIES

**YEAR ENDED SEPTEMBER 30, 2017
(With Summarized Financial Information
for the Year Ended September 30, 2016)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	
				<u>2017</u>	<u>2016</u>
Revenues, gains, losses and other support					
Contributions	\$ 2,301,291	\$ 4,955,259	\$ 666,149	\$ 7,922,699	\$ 7,715,619
Special events (includes in-kind contributions of \$286,244)	3,372,414			3,372,414	3,137,479
Direct cost of special events	(948,345)			(948,345)	(876,835)
Income from trusts	423,313			423,313	462,432
Change in value of beneficial interest in trusts	401,677		149,105	550,782	173,076
United Way of New York City	448			448	2,370
New York State Office of Alcoholism and Substance Abuse Services	597,491			597,491	600,053
New York City Department of Youth and Community Development	493,386			493,386	388,992
New York State CACFP/Food Program	334,502			334,502	321,438
Boys & Girls Club of America - Office of Juvenile Delinquency Program	98,065			98,065	78,379
New York City Economic Development Corporation	583,345			583,345	1,232,574
Other government grants	134,652			134,652	104,624
Camping/program fees	167,983			167,983	201,015
Membership dues	15,387			15,387	10,122
Investment income (loss) (Note 2)	1,835,804	2,978,737		4,814,541	(1,589,801)
Loan interest income (Note 12)	150,448			150,448	
Rental income	44,906			44,906	66,300
Net assets released from restrictions (Note 7)	18,892,110	(18,892,110)			
	<u>28,898,877</u>	<u>(10,958,114)</u>	<u>815,254</u>	<u>18,756,017</u>	<u>12,027,837</u>
Total revenues, gains, losses and other support					

-continued-

**MADISON SQUARE BOYS AND GIRLS CLUB, INC.
AND MSBGC-NYC SUPPORT CORPORATION**

5.
EXHIBIT B
-2-

CONSOLIDATED STATEMENT OF ACTIVITIES

**YEAR ENDED SEPTEMBER 30, 2017
(With Summarized Financial Information
for the Year Ended September 30, 2016)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	
				<u>2017</u>	<u>2016</u>
Expenses (Exhibit C)					
Program services					
Physical education	\$ 1,671,776			\$ 1,671,776	\$ 1,616,418
Social and recreational	1,859,191			1,859,191	1,776,123
Education and guidance	3,855,089			3,855,089	3,566,024
Total program services	<u>7,386,056</u>			<u>7,386,056</u>	<u>6,958,565</u>
Supporting services					
Management and general	1,127,845			1,127,845	962,900
Fund raising	1,260,728			1,260,728	956,613
Total supporting services	<u>2,388,573</u>			<u>2,388,573</u>	<u>1,919,513</u>
Total expenses	<u>9,774,629</u>			<u>9,774,629</u>	<u>8,878,078</u>
Change in net assets (Exhibit D)	19,124,248	\$ (10,958,114)	\$ 815,254	8,981,388	3,149,759
Net assets - beginning of year	<u>20,198,096</u>	<u>44,444,676</u>	<u>26,368,848</u>	<u>91,011,620</u>	<u>87,861,861</u>
Net assets - end of year (Exhibit A)	<u>\$ 39,322,344</u>	<u>\$ 33,486,562</u>	<u>\$ 27,184,102</u>	<u>\$ 99,993,008</u>	<u>\$ 91,011,620</u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.

**MADISON SQUARE BOYS AND GIRLS CLUB, INC.
AND MSBGC-NYC SUPPORT CORPORATION**

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

**YEAR ENDED SEPTEMBER 30, 2017
(With Summarized Financial Information
for the Year Ended September 30, 2016)**

	Program Services				Supporting Services			Total	
	Physical Education	Social and Recreational	Education and Guidance	Total	Management and General	Fund Raising	Direct Cost of Special Events	2017	2016
Salaries	\$ 756,362	\$ 921,504	\$ 2,218,323	\$ 3,896,189	\$ 430,935	\$ 552,979	\$ 983,914	\$ 4,880,103	\$ 4,491,317
Payroll taxes and employee benefits	222,877	271,539	653,671	1,148,087	126,983	162,946	289,929	1,438,016	1,420,726
Total salaries and related expenses	979,239	1,193,043	2,871,994	5,044,276	557,918	715,925	1,273,843	6,318,119	5,912,043
Professional fees	1,956	17,602	29,337	48,895	193,377	316,625	510,002	558,897	220,946
Supplies	276,618	70,684	82,882	430,184	11,833	9,102	20,935	451,119	429,273
Postage and shipping	1,365	1,961	2,913	6,239	2,580	3,028	5,608	11,847	7,580
Telephone	9,026	12,309	17,349	38,684	3,801	6,024	9,825	48,509	52,126
Occupancy (Note 8)	139,634	190,064	298,927	628,625	121,135	87,155	208,290	836,915	799,154
Insurance	33,878	42,316	66,795	142,989	63,282	1,310	64,592	207,581	193,302
Outside printing and artwork	7,809	10,554	14,786	33,149	2,277	36,841	39,118	72,267	45,265
Local transportation	8,636	70,659	17,836	97,131	10,714	7,778	18,492	115,623	108,947
Meetings and conferences	5,983	8,253	11,774	26,010	27,900	56,002	83,902	109,912	57,050
Subscriptions, publications and dues	12,882	17,214	23,983	54,079	172	750	922	55,001	53,010
Awards and scholarships	5,459	3,172	69,286	77,917				77,917	53,148
Staff development/training	9,648	9,957	16,758	36,363	7,657	10,653	18,310	54,673	35,907
Equipment rental	12,705	15,683	24,563	52,951	4,691	3,349	8,040	60,991	59,357
Investment fees					287,261		287,261	287,261	230,841
Catering, facility rental and entertainment (includes in-kind expenses of \$286,244 in 2017 and \$243,784 in 2016)							\$ 948,345	948,345	876,835
Interest and bank charges (includes interest of \$38,605 for 2017 and \$26,545 for 2016)					74,196		74,196	74,196	57,152
Bad debt expense					37,645		37,645	37,645	138,495
Depreciation	166,938	195,720	305,906	668,564	8,667	6,186	14,853	683,417	655,323
Total expenses	1,671,776	1,859,191	3,855,089	7,386,056	1,415,106	1,260,728	948,345	3,624,179	9,985,754
Less expenses deducted directly from revenues on the statement of activities									
Investment fees					(287,261)		(287,261)	(287,261)	(230,841)
Direct cost of special events							(948,345)	(948,345)	(876,835)
Total expenses reported by function on the statement of activities (Exhibit B)	\$ 1,671,776	\$ 1,859,191	\$ 3,855,089	\$ 7,386,056	\$ 1,127,845	\$ 1,260,728	\$ -	\$ 2,388,573	\$ 8,878,078

See independent auditor's report.

The accompanying notes are an integral part of these statements.

MADISON SQUARE BOYS AND GIRLS CLUB, INC.
AND MSBGC-NYC SUPPORT CORPORATION

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED SEPTEMBER 30, 2017

Cash flows from operating activities	
Change in net assets (Exhibit B)	\$ 8,981,388
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	683,417
Net gain on investments	(4,560,020)
Contributions restricted for long-term use	(4,955,259)
Permanently restricted contributions	(666,149)
Change in value of beneficial interest in trusts	(550,782)
Decrease in assets	
Government grants receivable	18,880
Contributions receivable	90,660
Beneficial interests in trusts	7,619,899
Accrued interest receivable	879
Prepaid expenses and other assets	80,856
Increase in liabilities	
Accounts payable and accrued expenses	405,503
Refundable advances	46,105
Net cash provided by operating activities	<u>7,195,377</u>
Cash flows from investing activities	
Purchase of investments	(4,715,722)
Proceeds from sale of investments	10,859,453
Issuance of loan	(25,548,800)
Decrease in limited use assets	4,531,641
Purchase of fixed assets	<u>(8,323,319)</u>
Net cash used by investing activities	<u>(23,196,747)</u>

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**MADISON SQUARE BOYS AND GIRLS CLUB, INC.
AND MSBGC-NYC SUPPORT CORPORATION**

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED SEPTEMBER 30, 2017

Cash flows from financing activities	
Proceeds from long-term debt	\$ 4,779,986
Drawdowns on lines of credit	500,000
Repayment of lines of credit	(600,000)
Proceeds from permanently restricted contributions	4,854,167
Proceeds from contributions restricted for long-term use	<u>8,788,610</u>
Net cash provided by financing activities	<u>18,322,763</u>
Net change in cash and cash equivalents	2,321,393
Cash and cash equivalents - beginning of year	<u>930,816</u>
Cash and cash equivalents - end of year	<u><u>\$ 3,252,209</u></u>
Supplemental disclosure of cash flow information	
Cash paid during the year for interest	<u><u>\$ 38,605</u></u>
Proceeds from the New Markets Tax Credit Financing directly financed the following:	
Establish reserve accounts - limited use assets	\$ 31,129,357
Debt issuance costs	1,250,657
Amortization of debt issuance costs included in fixed assets as capitalized interest	\$ 59,555

See independent auditor's report.

The accompanying notes are an integral part of these statements.

**MADISON SQUARE BOYS AND GIRLS CLUB, INC.
AND MSBGC-NYC SUPPORT CORPORATION**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

NOTE 1 - NATURE OF ORGANIZATIONS

Madison Square Boys and Girls Club, Inc. was established for the purpose of providing services to youth. These services include physical education, social and recreational, and education and guidance. The mission of Madison Square Boys and Girls Club, Inc. is to save and enhance the lives of New York City boys and girls who, by means of economic and/or social factors, are most in need of its services. Madison Square Boys and Girls Club, Inc. is supported primarily through contributions, special events, government grants, and investment income.

MSBGC-NYC Support Corporation was established on February 17, 2017 for the purpose of supporting Madison Square Boys and Girls Club, Inc. primarily by participating in a New Markets Tax Credit (“NMTC”) financing transaction related to the construction of the Harlem Clubhouse (Note 12). MSBGC-NYC Support Corporation began operations on May 5, 2017. Madison Square Boys and Girls Club, Inc. is the sole member of MSBGC-NYC Support Corporation.

Both entities (collectively referred to as “Madison”) are not-for-profit organizations exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting - The consolidated financial statements are prepared on the accrual basis of accounting.

Basis of consolidation - All material intercompany transactions and balances have been eliminated in the consolidation.

Use of estimates - The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents - Madison considers highly liquid financial instruments with maturities of three months or less when acquired, other than those held in Madison’s investment portfolio, to be cash equivalents.

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**MADISON SQUARE BOYS AND GIRLS CLUB, INC.
AND MSBGC-NYC SUPPORT CORPORATION**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments - Investments are stated at fair value. Madison invests in various investments. Investments in general, are exposed to various risks such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of investments will occur in the near term, based on the markets' fluctuations, and that such changes could materially affect the amounts reported in the consolidated financial statements.

Beneficial interests in trusts - Beneficial interests in perpetual trusts are reported at fair value.

Fair Value Measurements

Fair Value Measurements establishes a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below. Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that Madison has the ability to access. Level 2 inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability. Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement. The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

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**MADISON SQUARE BOYS AND GIRLS CLUB, INC.
AND MSBGC-NYC SUPPORT CORPORATION**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Measurements (continued)

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at September 30, 2017 as compared to those used at September 30, 2016.

Equity securities, mutual funds and exchange traded funds - Valued at the closing price reported on the active market on which the individual securities are traded.

Beneficial interests in perpetual trusts - Valued based on the fair value of the underlying assets.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while Madison believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the assets at fair value as of September 30, 2017:

	<u>Level 1</u>
Equity securities	
Basic material	\$ 277,022
Consumer discretionary	6,169,575
Consumer staples	666,972
Financial	5,160,197
Healthcare	2,737,012
Industrial goods	1,992,109
Technology	5,481,163
Communications	221,834
Energy	239,713
Utilities	177,186
Real estate	<u>61,242</u>
Total equity securities	<u>23,184,025</u>

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**MADISON SQUARE BOYS AND GIRLS CLUB, INC.
AND MSBGC-NYC SUPPORT CORPORATION**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Measurements (continued)

	Level 1
Mutual funds	
Equity funds	\$ 12,011,242
Bond funds	<u>3,459,698</u>
Total mutual funds	<u>15,470,940</u>
Exchange traded funds	
Fixed income funds	220,126
Specialty funds	<u>29,925</u>
Total exchange traded funds	<u>250,051</u>
Total investments at fair value	38,905,016
Cash equivalents	<u>2,544,383</u>
Total	<u>\$ 41,449,399</u>
	Level 3
Beneficial interest in perpetual trusts at fair value (Note 9)	<u>\$ 2,153,488</u>

-continued-

**MADISON SQUARE BOYS AND GIRLS CLUB, INC.
AND MSBGC-NYC SUPPORT CORPORATION**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Measurements (continued)

Level 3 Gains and Losses

The table below sets forth a summary of changes in fair value of Level 3 assets for the year ended September 30, 2017:

	Beneficial Interest in Perpetual Trusts
Balance, beginning of year	\$ 2,004,383
Change in value	<u>149,105</u>
Balance, end of year	<u>\$ 2,153,488</u>
The amount of total gain for the period included in changes in net assets attributable to the change in unrealized gain (loss) relating to assets still held at the reporting date	
	<u>\$ 149,105</u>

Investment income for the year ended September 30, 2017 consists of the following:

Realized gain	\$ 3,330,766
Unrealized gain (loss)	1,229,254
Interest and dividends	<u>541,782</u>
	5,101,802
Less investment fees	<u>(287,261)</u>
	<u>\$ 4,814,541</u>

Government grants receivable - Government grants receivable are recorded when services are rendered or when expenses have been incurred on grant contracts in accordance with contract terms. Interest is not charged on overdue receivables.

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**MADISON SQUARE BOYS AND GIRLS CLUB, INC.
AND MSBGC-NYC SUPPORT CORPORATION**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions receivable - Unconditional promises to give that are expected to be collected within one year are recorded at fair value (net of allowance for uncollectible contributions). Unconditional promises to give that are expected to be collected in future years are recorded at fair value, which is measured at the present value of their estimated future cash flows. The discounts on these amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

Loan receivable - Loan receivable is recorded based upon contractual obligations and is measured at its unpaid balance. Accrued interest receivable is recorded based upon fixed rates set in the contractual obligation.

Allowance for doubtful accounts - Madison's management determines whether an allowance for doubtful accounts receivable should be provided. Such estimates are based upon management's assessment of the age, current economic conditions, subsequent collections and historical information of the receivables. Receivables are written off against the allowance for doubtful accounts when all reasonable collection efforts have been exhausted.

Madison's management determines whether an allowance for doubtful loans receivable should be provided. Such estimates are based on management's periodic review. The loan receivable would be written off against an allowance for doubtful accounts when all reasonable collection efforts have been exhausted. Madison ceases accruing and recording interest on its loan receivable if it has been determined to be doubtful for collection. Management has determined that no allowance is necessary on its loan receivable at September 30, 2017.

Limited use assets - In accordance with the terms of the NMTC, MSBGC-NYC Support Corporation was required to establish and maintain certain construction and other funded reserve accounts (Note 13). These reserves are held in cash accounts at PNC Bank. Any withdrawals require PNC Bank approval.

Fixed assets - Fixed assets are recorded at cost. Acquisitions with a cost of \$1,000 and an estimated useful life of more than one year are subject to capitalization. Depreciation is provided over the estimated useful lives of the assets using the straight-line method.

Refundable advances - Refundable advances represent grant funds advanced by various government agencies for future periods.

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**MADISON SQUARE BOYS AND GIRLS CLUB, INC.
AND MSBGC-NYC SUPPORT CORPORATION**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Debt issuance costs - Debt issuance costs are reflected as a reduction of the carrying amount of the related debt and are amortized on the straight-line basis over the term of the related debt. Amortization of debt issuance costs is included in interest expense.

Contributions - Unconditional contributions, including promises to give cash and other assets, are reported at fair value at the date the contribution is received. The gifts are reported as temporarily restricted or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the organization reports the support as unrestricted.

Grant revenue - Revenues from grants are recognized when allowable reimbursable expenses are incurred under the terms of the grant agreements. Such revenues are subject to audit by the awarding agencies. No provision for any disallowances is reflected in the consolidated financial statements, as management does not anticipate any material adjustments.

In-kind contributions - Contributed services are recognized as revenue if the services create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and typically need to be purchased if not provided by donation. The value of contributed services (principally goods and services) meeting the requirements for recognition in the accompanying consolidated financial statements amounted to \$286,244 in 2017. The value of the services is based on information obtained from the donors.

Special events - Madison conducts special events in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant at the event. All proceeds received are recorded as special events revenues in the accompanying consolidated statement of activities.

Rental income - Rental income is reported on the straight-line basis. Accrued rental income is recorded when material.

Functional allocation of expenses - The costs of providing services have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Rent expense - Rent expense is reported on the straight-line basis, taking into account rent concessions and escalations. Deferred rent expense is recorded when material.

-continued-

**MADISON SQUARE BOYS AND GIRLS CLUB, INC.
AND MSBGC-NYC SUPPORT CORPORATION**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Assets

Madison's net assets consist of the following:

Unrestricted Net Assets

Unrestricted net assets include funds having no restriction as to use or purpose imposed by donors. Resources which are set aside for board-designated purposes are unrestricted.

Temporarily Restricted

Temporarily restricted net assets are those whose use by the organization has been limited by donors to a specific time period or purpose.

Permanently Restricted

Represents net assets that are restricted in perpetuity, the income from which is subject to the restrictions of the gift instruments.

Summarized financial information - The consolidated financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended September 30, 2016, from which the summarized information was derived.

Subsequent events - Subsequent events have been evaluated through March 29, 2018, which is the date the consolidated financial statements were available to be issued.

Uncertainty in income taxes - Madison has determined that there are no material uncertain tax positions that require recognition or disclosure in the consolidated financial statements. Periods ending September 30, 2014 and subsequent remain subject to examination by applicable taxing authorities.

-continued-

**MADISON SQUARE BOYS AND GIRLS CLUB, INC.
AND MSBGC-NYC SUPPORT CORPORATION**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

NOTE 3 - FIXED ASSETS

	2017			Estimated Useful Lives
	Cost	Accumulated Depreciation	Net	
Land	\$ 370,734		\$ 370,734	
Land - Future Harlem Clubhouse	5,301,783		5,301,783	
Building and improvements	18,640,041	\$ 12,355,080	6,284,961	5 - 25 years
Equipment and furnishings	1,591,983	1,388,051	203,932	5 - 15 years
Construction in progress	<u>13,092,124</u>		<u>13,092,124</u>	
	<u>\$ 38,996,665</u>	<u>\$ 13,743,131</u>	<u>\$ 25,253,534</u>	
Administration	\$ 770,623	\$ 724,923	\$ 45,700	
Building improvements	32,609	15,302	17,307	
Bronx Club - Columbus building	3,063,862	1,905,938	1,157,924	
Bronx Club - Joel E. Smilow Clubhouse	6,316,195	4,024,150	2,292,045	
Navy Yard Boys' Club	4,480,382	3,954,371	526,011	
Thomas S. Murphy Clubhouse	5,939,087	3,118,447	2,820,640	
Future Harlem Clubhouse site	<u>18,393,907</u>		<u>18,393,907</u>	
	<u>\$ 38,996,665</u>	<u>\$ 13,743,131</u>	<u>\$ 25,253,534</u>	

-continued-

**MADISON SQUARE BOYS AND GIRLS CLUB, INC.
AND MSBGC-NYC SUPPORT CORPORATION**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

NOTE 4 - CONTRIBUTIONS RECEIVABLE

Contributions receivable have been recorded at present value. Those receivables that are due in more than one year have been discounted to their present value using a discount rate of 2%. Contributions receivable consist of the following:

2018 and prior	\$ 7,949,832
2019	6,288,641
2020	<u>2,078,000</u>
	16,316,473
Less allowance for doubtful accounts	(50,000)
Less present value discount	<u>(203,998)</u>
	<u>\$ 16,062,475</u>

In 2014, Madison received a \$20,000,000 multi-year pledge, payable in five equal installments of \$4,000,000, related to its capital campaign. The present value of the pledge balance as of September 30, 2017 was \$7,824,474.

NOTE 5 - LINES OF CREDIT

On December 5, 2012, Madison established a line of credit with JP Morgan Chase Bank, N.A. for an amount not to exceed \$6,500,000. The line of credit was to expire on December 31, 2014 but was extended through June 30, 2019. The line of credit is collateralized by the investments held by JP Morgan Chase Bank, N.A., which totaled \$9,451,083 at September 30, 2017. As of September 30, 2017, Madison's unpaid balance on this account totaled \$1,244,360. The interest rate at September 30, 2017 is based upon the one-month LIBOR two days prior to the payment due date plus 1.40%. The interest rate at September 30, 2017 was 2.635%, and interest expense was \$38,605 for the year ended September 30, 2017.

-continued-

**MADISON SQUARE BOYS AND GIRLS CLUB, INC.
AND MSBGC-NYC SUPPORT CORPORATION**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

NOTE 5 - LINES OF CREDIT (continued)

On May 5, 2017, Madison secured a bridge loan with Nonprofit Finance Fund for an amount not to exceed \$2,000,000. Madison may draw down on the bridge loan, as needed, up until November 30, 2018, to provide funds for the construction of its new Harlem Clubhouse. The loan is secured by certain capital campaign pledges which totaled \$13,800,000. The loan requires monthly interest payments on the unpaid principal balance at a rate of 6% per annum. Mandatory loan prepayments are required to be made as Madison receives payments on the campaign pledges. The loan fully matures on May 5, 2020, at which time any unpaid principal and interest is due. As of September 30, 2017, there was no unpaid principal balance on this bridge loan, and there was no interest expense for the year ended September 30, 2017.

On June 16, 2017, Madison established a line of credit with Brown Brothers Harriman for an amount not to exceed \$3,200,000. The line of credit is payable on demand. The line of credit is collateralized by the investments held by Brown Brothers Harriman, which totaled \$5,514,835 at September 30, 2017. As of September 30, 2017, there was no unpaid balance on this account. The interest rate at September 30, 2017 is based upon the 30-day LIBOR plus 2%. The interest rate at September 30, 2017 was 3.235%, and there was no interest expense for the year ended September 30, 2017.

NOTE 6 - PENSION PLAN

Madison participates in the Boys and Girls Club of America Pension Trust (the Plan). The Plan is a defined contribution plan which covers substantially all full-time employees. Madison contributes 10% of participating employees' annual salaries. Employees are fully vested after three years of employment. Pension expense was \$289,006 for the year ended September 30, 2017.

-continued-

**MADISON SQUARE BOYS AND GIRLS CLUB, INC.
AND MSBGC-NYC SUPPORT CORPORATION**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

NOTE 7 - TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

100th Anniversary Fund	
Clubhouse Service Fund	\$ 4,344,290
Remedial Education Fund	2,215,694
Staff Development Training Fund	155,804
Camp and Outdoor Education Fund	73,444
Campaign for the 90s and 29th St. Property	2,579,517
Capital Campaign	23,563,202
Scholarship funds	
Eugenia Woodward Hitt Scholarship Fund	153,965
Joseph Golding Fund	126,404
Monroe and Rose Levinger Fund	11,662
Dana, Freeman, Harkness, Maxwell, Guzman, Dibernardo Fund	<u>262,580</u>
	<u>\$ 33,486,562</u>

For the year ended September 30, 2017, net assets were released from donor restrictions by incurring expenses or through the expiration of time, satisfying the following purposes specified by donors:

<u>Purpose/Time Restrictions Accomplished</u>	
Scholarships	\$ 36,500
Clubhouse services	310,429
Remedial education	157,678
Staff development training	19,710
Camp and outdoor education	4,927
Renovations and improvements	403,000
Triple play program	50,000
Earl and Erna Ross Trust	7,218,222
Capital Campaign related costs	<u>10,691,644</u>
	<u>\$ 18,892,110</u>

-continued-

**MADISON SQUARE BOYS AND GIRLS CLUB, INC.
AND MSBGC-NYC SUPPORT CORPORATION**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

NOTE 7 - TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS
(continued)

Permanently restricted net assets from perpetual trusts are available for investment in perpetuity, the income from which is expendable to support:

Perpetual trusts	
General operations (beneficial interest in perpetual trusts) (Note 9)	\$ <u>2,153,488</u>

Permanently Restricted Net Assets - Endowment Funds

General

Madison has one donor-restricted endowment fund established to provide income to fund its future operations related to its clubhouses. As required by Generally Accepted Accounting Principles (GAAP), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of Madison has adopted the New York Prudent Management of Institutional Funds Act (NYPMIFA). NYPMIFA permits charities to apply a spending policy to endowments based on certain specified standards of prudence. Madison is governed by the NYPMIFA spending policy, which establishes a standard maximum prudent spending limit of 7% of the average of its previous five years' balance. As a result of this interpretation, Madison classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by Madison in a manner consistent with the standards of prudence prescribed by NYPMIFA.

-continued-

**MADISON SQUARE BOYS AND GIRLS CLUB, INC.
AND MSBGC-NYC SUPPORT CORPORATION**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

NOTE 7 - TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS
(continued)

Permanently Restricted Net Assets (Endowment Funds) (continued)

Return Objectives, Strategies Employed and Spending Policy

The objective of Madison is to maintain the principal endowment funds at the original amount designated by the donor while generating income for Madison's programs. The investment policy to achieve this objective is to invest in a diversified investment portfolio. Investment income earned in relation to the endowment funds is recorded as temporarily restricted income and released from restriction upon expenditures for the programs for which the endowment was established.

Funds with Deficiencies

Madison does not have any funds with deficiencies.

Endowment Net Asset Composition by Type of Fund

The endowment net asset composition consists of permanently donor restricted funds of \$25,030,614 and \$918,877 of unappropriated earnings thereon.

Changes in Endowment Net Assets for the Year Ended September 30, 2017

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ -	\$ 24,364,465	\$ 24,364,465
Contributions		666,149	666,149
Investment return*	<u>918,877</u>	<u> </u>	<u>918,877</u>
Endowment net assets, end of year	<u>\$ 918,877</u>	<u>\$ 25,030,614</u>	<u>\$ 25,949,491</u>

*Investment return consists of:

Dividends and interest	\$ 66,094
Net realized and unrealized gains	959,947
Investment fees	<u>(107,164)</u>
	<u>\$ 918,877</u>

-continued-

**MADISON SQUARE BOYS AND GIRLS CLUB, INC.
AND MSBGC-NYC SUPPORT CORPORATION**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

NOTE 8 - LEASES

On June 2, 2014, Madison entered into a lease for its administrative offices which commenced on August 12, 2014. The lease includes rent concessions at inception and rent escalations during the term of the lease. The lease is set to expire on December 30, 2021.

Future minimum rental payments are as follows:

2018	\$ 377,440
2019	391,594
2020	391,594
2021	391,594
2022	<u>108,514</u>
Total	<u>\$ 1,660,736</u>

Madison rents storage space on a month-to-month basis.

In addition, Madison leases three vehicles. The leases expire in January and October of 2020. Lease expense for the year ended September 30, 2017 was \$18,136.

Future minimum lease payments as of September 30, 2017 are as follows:

2018	\$ 15,848
2019	15,848
2020	11,635
2021	<u>794</u>
Total	<u>\$ 44,125</u>

Total lease and rent expense for the year ended September 30, 2017 was \$406,284.

-continued-

**MADISON SQUARE BOYS AND GIRLS CLUB, INC.
AND MSBGC-NYC SUPPORT CORPORATION**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

NOTE 9 - BENEFICIAL INTEREST IN TRUSTS

Beneficial Interest in Remainder Trust

Madison obtained commitments from donors whereby the donor established a trust in which Madison had an irrevocable interest and the assets were placed under the control of a trustee other than Madison. The trustee acted as the fiduciary of the assets and, ten years after the death of the donor, the Trust terminated and the assets were transferred to Madison's control in September 2017. The balance of the Trust at the time of termination was \$7,619,899.

Beneficial Interests in Perpetual Trusts

Under the terms of the trusts, the income generated from the trusts is payable to Madison. The contribution is classified as permanently restricted support and the annual distributions from the trusts are reported as investment income that increases unrestricted net assets. The balance at September 30, 2017 was \$2,153,488.

NOTE 10 - CONCENTRATIONS AND CONTINGENCIES

Financial instruments which potentially subject Madison to a concentration of credit risk are cash accounts in excess of FDIC insurance limits.

NOTE 11 - CAPITAL CAMPAIGN

In connection with the purchase of the property in Harlem in 2012, Madison began a capital campaign to raise funds for the construction of a future clubhouse and to create an endowment (Note 7) to support Madison's activities. A total of \$74,717,044 has been raised as of September 30, 2017, of which \$6,100,000 are conditional pledges, and \$325,000 are non-enforceable pledges. In accordance with generally accepted accounting principles the conditional and non-enforceable pledges are not recorded in Madison's financial statements as of September 30, 2017. A discount of \$203,998 has been recorded against future contributions receivable (Note 4). Payments of \$52,836,712 were received as of September 30, 2017.

Madison started construction of the future Harlem Clubhouse in February 2017 and anticipates construction to be completed in the fall of 2018. Madison's agreement with the construction manager includes a guaranteed maximum price, or GMP, of \$25,458,034 for hard costs, which includes all trade costs and the construction manager's general conditions, insurance, and fee. The retainage shall be 10% of the trade costs covered by each requisition, until the work of such trade is 50% complete, and then zero percent retainage thereafter, so that the total retainage then equals 5% of the total price of each subcontract trade. Retainage payable was \$466,436 at September 30, 2017. Soft costs and other owner hard costs for the Harlem Clubhouse are estimated to be an additional cost of \$10,156,000.

-continued-

**MADISON SQUARE BOYS AND GIRLS CLUB, INC.
AND MSBGC-NYC SUPPORT CORPORATION**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

NOTE 12 - NEW MARKETS TAX CREDIT (NMTC) FINANCING

In May 2017, Madison entered into a debt transaction to access additional funds through the New Markets Tax Credit (NMTC) Program. These funds are being used towards the construction of Madison's new Clubhouse in Harlem, NY. The NMTC program permits taxpayers to claim a credit against federal income taxes for Qualified Equity Investments (QEIs) in designated Community Development Entities (CDEs), such as the Harlem Clubhouse. These designated CDEs must use substantially all (85%) of the proceeds to make Qualified Low-Income Community Investments (QLICs). The Investor is provided with a tax credit, which is claimed over a seven-year compliance period, in exchange for their capital contribution to the QEI. Madison has partnered with an investor, PNC Bank, to utilize the NMTC Program.

PNC Bank established a special-purpose entity called Harlem Clubhouse Investment Fund, LLC (HCIF) to raise the capital for the transaction. PNC Bank owns 99% of HCIF. HCIF was funded with \$12,931,200 of equity from PNC Bank, and a \$25,548,800 leverage loan from Madison. The \$25,548,800 leverage loan from Madison to HCIF requires quarterly interest-only payments at 1.452% until December 2024. Starting in January 2025, HCIF will make quarterly principal and interest payments to Madison in the amount of \$389,737 until September 2043. At September 30, 2017, the balance of the note was \$25,548,800, and interest income was \$150,448 in 2017. There was no accrued interest under the note as of September 30, 2017.

The capital raised by HCIF was used to make a \$38,000,000 QEI in four separate CDEs - NFF New Markets Fund XXIX, LLC (NFF), NYCNCC Sub-CDE 2 LLC (NYNCC), Empowerment Reinvestment Fund XXV, LLC (ERF), and PNC CDE 74, LP (PNC), each owned 99.99% by HCIF. The CDEs then loaned these funds, net of fees paid to the CDEs, to MSBGC-NYC Support Corporation in the form of twelve loans. The loans all mature on December 31, 2051. Principal is payable in quarterly installments commencing in March 2025. Interest is payable quarterly on the loans and commenced May 2017.

-continued-

**MADISON SQUARE BOYS AND GIRLS CLUB, INC.
AND MSBGC-NYC SUPPORT CORPORATION**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

NOTE 12 - NEW MARKETS TAX CREDIT (NMTC) FINANCING (continued)

Loans payable related to the NMTC financing reflected on the consolidated balance sheet as of September 30, 2017 are as follows:

	<u>Original Principal Balance</u>	<u>Balance as of September 30, 2017</u>	<u>Interest Rate</u>
NFF CDE Loan A (Building)	\$ 913,617	\$ 913,617	1%
NFF CDE Loan A (Project)	5,576,383	5,576,383	1%
NFF CDE Loan B (Project)	<u>3,210,000</u>	<u>3,210,000</u>	1%
Total NFF CDE	<u>9,700,000</u>	<u>9,700,000</u>	
NYCNCC CDE Loan A (Building)	1,384,553	1,384,553	1%
NYCNCC CDE Loan A (Project)	9,034,447	9,034,447	1%
NYCNCC CDE Loan B (Project)	<u>4,281,000</u>	<u>4,281,000</u>	1%
Total NYCNCC CDE	<u>14,700,000</u>	<u>14,700,000</u>	
ERF CDE Loan A (Building)	542,519	542,519	1%
ERF CDE Loan A (Project)	3,445,081	3,445,081	1%
ERF CDE Loan B (Project)	<u>1,772,400</u>	<u>1,772,400</u>	1%
Total ERF CDE	<u>5,760,000</u>	<u>5,760,000</u>	
PNC CDE Loan A (Building)	659,311	659,311	1%
PNC CDE Loan A (Project)	3,992,889	3,992,889	1%
PNC CDE Loan B (Project)	<u>2,347,800</u>	<u>2,347,800</u>	1%
Total PNC CDE	<u>7,000,000</u>	<u>7,000,000</u>	
Sub-total	37,160,000	37,160,000	
Less: unamortized debt issuance costs	<u>(1,250,657)</u>	<u>(1,191,102)</u>	
Total loans payable (Exhibit A)	<u>\$ 35,909,343</u>	<u>\$ 35,968,898</u>	

-continued-

**MADISON SQUARE BOYS AND GIRLS CLUB, INC.
AND MSBGC-NYC SUPPORT CORPORATION**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

NOTE 12 - NEW MARKETS TAX CREDIT (NMTC) FINANCING (continued)

Interest related to the NMTC financing for the year ended September 30, 2017 was \$210,259, including \$59,555 of amortization of debt issuance costs, which has been capitalized as part of construction in progress.

The seven-year compliance period for the NMTCs will end December 2025, at which time PNC Bank may exit the transaction through the exercise of a call/put agreement which it has entered into with Madison. Under the agreement, PNC Bank may “put” its interest in HCIF to Madison for a purchase price of \$1,000. In the event that PNC Bank has not exercised this put option Madison has 180 days to exercise its call option to purchase PNC Bank’s entire interest in HCIF for a purchase price equal to the appraised value of PNC Bank’s interest. To exercise the call option, Madison must be current on all payments under the twelve notes payable and must not owe any additional amounts to HCIF or PNC Bank. Madison will realize its savings from the NMTC transactions through the exercise of this put or call option, at which time it will control HCIF and can effectively forgive the QLICI Loan Bs. No amounts have been recorded in the accompanying consolidated financial statements related to these put and call options.

NOTE 13 - LIMITED USE ASSETS

During 2017, under the terms of the NMTC financing agreements, reserve accounts were required to be established and deposits held with a trustee to be used for construction purposes and NMTC financing related expenses. Funds will be withdrawn to satisfy expenses incurred during the construction phase of the project and to pay certain interest and fees on the NMTC loans.

The following table represents limited use asset balances by source at September 30, 2017:

Construction reserve	\$ 24,990,561
Interest reserve	309,746
CDE fee reserves	<u>1,297,409</u>
Total assets limited as to use (Exhibit A)	<u>\$ 26,597,716</u>

MADISON SQUARE BOYS AND GIRLS CLUB, INC.
AND MSBGC-NYC SUPPORT CORPORATION

CONSOLIDATING BALANCE SHEET

SEPTEMBER 30, 2017

	<u>MSBGC</u>	<u>MSBGC-NYC</u>	<u>Total</u>
ASSETS			
Current assets			
Cash and cash equivalents	\$ 3,042,867	\$ 209,342	\$ 3,252,209
Investments	41,449,399		41,449,399
Government grants receivable	961,201		961,201
Contributions receivable	16,062,475		16,062,475
Accrued interest receivable	8,189		8,189
Loan receivable	25,548,800		25,548,800
Prepaid expenses and other assets	240,684		240,684
Beneficial interests in trusts	2,153,488		2,153,488
Limited use assets		26,597,716	26,597,716
Fixed assets - net	6,859,627	18,393,907	25,253,534
Total assets	<u>\$ 96,326,730</u>	<u>\$ 45,200,965</u>	<u>\$ 141,527,695</u>
LIABILITIES AND NET ASSETS			
Current liabilities			
Accounts payable and accrued expenses	\$ 1,213,641		\$ 1,213,641
Accounts payable - construction		\$ 2,367,497	2,367,497
Retainage payable		466,436	466,436
Lines of credit	1,244,360		1,244,360
Refundable advances	273,855		273,855
Long-term debt		35,968,898	35,968,898
Total liabilities	<u>2,731,856</u>	<u>38,802,831</u>	<u>41,534,687</u>
Net assets (deficit)			
Unrestricted	32,924,210	6,398,134	39,322,344
Temporarily restricted	33,486,562		33,486,562
Permanently restricted	27,184,102		27,184,102
Total net assets	<u>93,594,874</u>	<u>6,398,134</u>	<u>99,993,008</u>
Total liabilities and net assets	<u>\$ 96,326,730</u>	<u>\$ 45,200,965</u>	<u>\$ 141,527,695</u>

See independent auditor's report.

MADISON SQUARE BOYS AND GIRLS CLUB, INC.
AND MSBGC-NYC SUPPORT CORPORATION

CONSOLIDATING SCHEDULE OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2017

	MSBGC				MSBGC-NYC				Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
Revenues, gains and other support									
Contributions	\$ 2,301,291	\$ 4,955,259	\$ 666,149	\$ 7,922,699					\$ 7,922,699
Special events (includes in-kind contributions of \$286,244)	3,372,414			3,372,414					3,372,414
Direct cost of special events	(948,345)			(948,345)					(948,345)
Income from trusts	423,313			423,313					423,313
Change in value of beneficial interest in trusts	401,677		149,105	550,782					550,782
United Way of New York City	448			448					448
New York State Office of Alcoholism and Substance Abuse Services	597,491			597,491					597,491
New York City Department of Youth and Community Development	493,386			493,386					493,386
New York State CACFP/Food Program	334,502			334,502					334,502
Boys & Girls Club of America - Office of Juvenile Delinquency Program	98,065			98,065					98,065
New York City Economic Development Corporation	583,345			583,345					583,345
Other government grants	134,652			134,652					134,652
Camping/program fees	167,983			167,983					167,983
Membership dues	15,387			15,387					15,387
Investment income	1,829,914	2,978,737		4,808,651	\$ 5,890			\$ 5,890	4,814,541
Loan interest income	150,448			150,448					150,448
Rental income	44,906			44,906					44,906
Net assets released from restrictions	18,892,110	(18,892,110)							
Total revenues, gains and other support	28,892,987	(10,958,114)	815,254	18,750,127	5,890			5,890	18,756,017
Expenses									
Program services									
Physical education	1,671,776			1,671,776					1,671,776
Social and recreational	1,859,191			1,859,191					1,859,191
Education and guidance	3,855,089			3,855,089					3,855,089
Total program services	7,386,056			7,386,056					7,386,056
Supporting services									
Management and general	1,127,845			1,127,845					1,127,845
Fund raising	1,260,728			1,260,728					1,260,728
Total supporting services	2,388,573			2,388,573					2,388,573
Total expenses	9,774,629			9,774,629					9,774,629
Change in net assets before other changes	19,118,358	(10,958,114)	815,254	8,975,498	5,890			5,890	8,981,388
Transfer of fixed assets to MSBGC-NYC Support Corp	(12,194,545)			(12,194,545)	12,194,545			12,194,545	
Transfer of funds to MSBGC	5,802,301			5,802,301	(5,802,301)			(5,802,301)	
Change in net assets	12,726,114	(10,958,114)	815,254	2,583,254	6,398,134			6,398,134	8,981,388
Net assets - beginning of year	20,198,096	44,444,676	26,368,848	91,011,620					91,011,620
Net assets - end of year	\$ 32,924,210	\$ 33,486,562	\$ 27,184,102	\$ 93,594,874	\$ 6,398,134	\$ -	\$ -	\$ 6,398,134	\$ 99,993,008

See independent auditor's report.

MADISON SQUARE BOYS AND GIRLS CLUB, INC.
AND MSBGC-NYC SUPPORT CORPORATIONSCHEDULE OF CHANGES IN TEMPORARILY RESTRICTED
NET ASSETS

YEAR ENDED SEPTEMBER 30, 2017

	Net Assets - Beginning of Year	Support, Gains and Losses	Net Assets Released from Restrictions	Net Assets - End of Year
100th Anniversary Fund				
Clubhouse Service Fund	\$ 4,015,815	\$ 638,904	\$ (310,429)	\$ 4,344,290
Remedial Education Fund	2,047,604	325,768	(157,678)	2,215,694
Staff Development Training Fund	151,423	24,091	(19,710)	155,804
Camp and Outdoor Education Fund	67,614	10,757	(4,927)	73,444
Total 100th Anniversary Fund	<u>6,282,456</u>	<u>999,520</u>	<u>(492,744)</u>	<u>6,789,232</u>
Campaign for the 90s and 29th St. Property Sale	<u>2,398,992</u>	<u>583,525</u>	<u>(403,000)</u>	<u>2,579,517</u>
Capital Campaign				
Capital Campaign for building	27,954,351	5,381,618	(10,691,644)	22,644,325
Unappropriated earnings on endowment funds		918,877		918,877
Total Capital Campaign	<u>27,954,351</u>	<u>6,300,495</u>	<u>(10,691,644)</u>	<u>23,563,202</u>
Eugenia Woodward Hitt Scholarship Fund	150,091	14,007	(10,133)	153,965
Joseph Golding Fund	123,223	11,500	(8,319)	126,404
Monroe and Rose Levinger Fund	11,368	1,061	(767)	11,662
Dana, Freeman, Harkness, Maxwell, Guzman, Dibernardo Fund	255,973	23,888	(17,281)	262,580
Total Scholarship Funds	<u>540,655</u>	<u>50,456</u>	<u>(36,500)</u>	<u>554,611</u>
Earl and Erna Ross Trust	<u>7,218,222</u>		<u>(7,218,222)</u>	
Triple Play Program Grant	<u>50,000</u>		<u>(50,000)</u>	
Total (Exhibit B)	<u>\$ 44,444,676</u>	<u>\$ 7,933,996</u>	<u>\$ (18,892,110)</u>	<u>\$ 33,486,562</u>

See independent auditor's report.

**MADISON SQUARE BOYS AND GIRLS CLUB, INC.
AND MSBGC-NYC SUPPORT CORPORATION****SCHEDULE OF CHANGES IN PERMANENTLY RESTRICTED
NET ASSETS****YEAR ENDED SEPTEMBER 30, 2017**

	Net Assets - Beginning of Year	Support, Gains and Losses	Net Assets - End of Year
Perpetual Trusts			
Ruby Fleming Trust	\$ 1,083,589	\$ 106,445	\$ 1,190,034
Glessner B. Childs Trust	920,794	42,660	963,454
Total Perpetual Trusts	2,004,383	149,105	2,153,488
Capital Campaign endowment	24,364,465	666,149	25,030,614
Total (Exhibit B)	\$ 26,368,848	\$ 815,254	\$ 27,184,102

See independent auditor's report.